UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHN SACHETTI, Individually and On Behalf of All Others Similarly Situated, Plaintiff, v. AMTRUST FINANCIAL SERVICES, INC., BARRY D. ZYSKIND, and RONALD E. PIPOLY, JR., Defendants.	No. 1:17-cv-02001 **CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** **JURY TRIAL DEMANDED**

Plaintiff John Sachetti ("Plaintiff"), by and through his attorneys, alleges upon personal knowledge as to himself, and upon information and belief as to all other matters, based upon the investigation conducted by and through his attorneys, which included, among other things, a review of documents filed by Defendants (as defined below) with the United States Securities and Exchange Commission (the "SEC"), conference call transcripts, news reports, press releases issued by Defendants, and other publicly available documents, as follows:

NATURE AND SUMMARY OF THE ACTION

1. This is a federal securities class action on behalf of all investors who purchased or otherwise acquired Defendant AmTrust Financial Services, Inc. ("AmTrust" or the "Company") common stock between March 2, 2015 through March 16, 2017 inclusive (the "Class Period"). This action is brought on behalf of the Class for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§78j(b) and 78t(a) and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. §240.10b-5.

2. AmTrust, headquartered in New York, New York, underwrites and provides property and casualty insurance products, including workers' compensation, commercial automobile, general liability and extended service and warranty coverage, in the United States and internationally to niche customer groups that we believe are generally under served within the broader insurance market.

3. On February 27, 2017, AmTrust announced premarket that it would delay the filing of its full year 2016 financial results as the Company's managment had "identified material weaknesses in its internal control over financial reporting that existed as of December 31, 2016, specifically related to ineffective assessment of the risks associated with the financial reporting, and an insufficient complement of corporate accounting and corporate financial reporting resources within the organization."

4. The Company further disclosed that it would correct certain previously issued financial statements for "fiscal years ended December 31, 2015 and 2014 and certain financial information for fiscal years ended December 31, 2013 and 2012," and that it believed these corrections to be "immaterial."

5. On this news, AmTrust's share price fell nearly 20% to close at $22.34 on February 27, 2017.

6. On March 16, 2017, after the markets had closed, AmTrust announced that its board of directors had determined that the Company's "previously issued consolidated financial statements for 2014 and 2015 (including for each of the four quarters of 2015) as well as for the first three quarters of 2016 should be restated and should no longer be relied up." The Company further disclosed that "earnings and press releases and similar communications, to the extent that they relate to the periods covered by these financial statements, as well as the Company's fourth

quarter and fiscal 2016 earnings release dated February 27, 2017, should no longer be relied upon." Specifically, AmTrust reported that the "errors relate to: (1) upfront recognition of a portion of warranty contract revenue associated with administration services, based on the interpretation of ASC 605, Revenue Recognition, used in the previously filed financial statements related to multiple-element revenue recognition, instead of deferring recognition of the revenue over the life of the contract; and (2) bonuses that were expensed in the year paid but that should have been accrued in the year earned based on ASC 710, Compensation, and ASC 270, Interim Reporting."

7. On this news, AmTrust's share price fell nearly 19% to close at $17.58 on March 17, 2017, causing significant additional harm to investors.

8. Throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) AmTrust had ineffective assessment of the risks associated with its financial reporting; (ii) AmTrust had an insufficient complement of corporate accounting and corporate financial reporting resources within the organization; (iii) AmTrust did not appropriately recognize a portion of its warranty contract revenue; (iv) AmTrust did not recognize expensed bonuses in the appropriate year; (v) AmTrust failed to maintain effective internal controls over financial reporting; and (vi) as a result of the foregoing, AmTrust's publicly disseminated financial statements were materially false and misleading.

JURISDICTION AND VENUE

9. The federal law claims asserted herein arise under §§10(b) and 20(a) of the Exchange Act, 15 U.S.C. §78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. §240.10b-5, as well as under the common law.

10. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §1331 and §27 of the Exchange Act, 15 U.S.C. §78aa.

11. This Court has jurisdiction over each Defendant named herein because each Defendant is an individual or corporation who has sufficient minimum contacts with this District so as to render the exercise of jurisdiction by the District Court permissible under traditional notions of fair play and substantial justice.

12. Venue is proper in this District pursuant to §27 of the Exchange Act, 15 U.S.C. §78aa and 28 U.S.C. §1931(b), as the Company's principal executive offices are located within this Judicial District.

13. In connection with the acts, omissions, conduct and other wrongs in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce including but not limited to the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

14. Plaintiff John Sachetti was a shareholder of AmTrust during the Class Period. As set forth in the accompanying certification, incorporated by reference herein, Plaintiff acquired and held shares of the Company at artificially inflated prices during the Class Period and has been damaged by the revelation of the Company's material misrepresentations and material omissions.

15. Defendant AmTrust Financial Services, Inc. is a Delaware corporation with its principal place executive offices located at 59 Maiden Lane, 43rd Floor, New York, New York. AmTrust, through its subsidiaries, underwrites and provides property and casualty insurance products, including workers' compensation, commercial automobile, general liability and extended service and warranty coverage, in the United States and internationally to niche customer

groups that we believe are generally under served within the broader insurance market. The Company trades on the NASDAQ stock exchange under the ticker symbol "AFSI."

16. Defendant Barry D. Zyskind ("Zyskind") has served at all relevant times as AmTrust's President and Chief Executive Officer.

17. Defendant Ronald E. Pipoly Jr. ("Pipoly") has served at all relevant times as AmTrust's Chief Financial Officer and Executive Vice President.

18. Collectively, Zyskind and Pipoly are referred to throughout this complaint as the "Individual Defendants."

19. The Individual Defendants, because of their positions at the Company, possessed the power and authority to control the content and form of the Company's annual reports, quarterly reports, press releases, investor presentations, and other materials provided to the SEC, securities analysts, money and portfolio managers and investors, *i.e.*, the market. The Individual Defendants authorized the publication of the documents, presentations, and materials alleged herein to be misleading prior to its issuance and had the ability and opportunity to prevent the issuance of these false statements or to cause them to be corrected. Because of their positions within the Company and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were false and misleading. The Individual Defendants are liable for the false statements pleaded herein.

SUBSTANTIVE ALLEGATIONS

A. Materially False And Misleading Statements Made During the Class Period

20. The Class Period begins on March 2, 2015. On that day, AmTrust filed with the SEC its Annual Report on Form 10-K for the year ended December 31, 2014, providing, among other things, its consolidated financial data for that period, including:

AMTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Par Value per Share)

	December 31,	
ASSETS	**2014**	**2013**
Investments:		
Fixed maturities, available-for-sale, at market value (amortized cost $4,137,146; $3,107,043)	$4,253,274	$3,100,936
Equity securities, available-for-sale, at market value (cost $84,075; $16,010)	81,044	15,148
Equity securities, trading, at market value (cost $25,407; $0)	26,749	—
Short-term investments	63,916	114,202
Equity investment in unconsolidated subsidiaries – related parties	119,712	89,756
Other investments	31,186	25,749
Securities pledged (amortized cost of $0; $316,576)	—	311,518
Total investments	4,575,881	3,657,309
Cash and cash equivalents	902,750	830,022
Restricted cash and cash equivalents	186,225	100,439
Accrued interest and dividends	42,173	27,800
Premiums receivable, net	1,851,682	1,593,975
Reinsurance recoverable (related party $1,517,499; $1,144,168)	2,440,627	1,929,848
Prepaid reinsurance premium (related party $918,505; $739,719)	1,302,848	1,011,304
Other assets (related party $136,516 $0; recorded at fair value $264,517; $233,024)	1,094,943	890,333
Deferred policy acquisition costs	628,383	468,404
Property and equipment, net	154,175	104,299
Goodwill	352,685	373,591
Intangible assets	314,996	291,802
	$13,847,368	$11,279,126
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Loss and loss expense reserves	$5,664,205	$4,368,234
Unearned premiums	3,447,203	2,680,982
Ceded reinsurance premiums payable (related party $410,075; $393,941)	683,421	635,588
Reinsurance payable on paid losses	3,947	18,818
Funds held under reinsurance treaties	10,653	27,574
Note payable on collateral loan – related party	167,975	167,975
Securities sold but not yet purchased, at market	13,052	—
Securities sold under agreements to repurchase, at contract value	—	293,222
Accrued expenses and other current liabilities (recorded at fair value $18,567; $11,945)	795,877	672,575
Deferred income taxes	106,363	274,519
Debt	757,871	560,174
Total liabilities	11,650,567	9,699,661
Commitments and contingencies		
Redeemable non-controlling interest	600	600
Stockholders' equity:		

Common stock, $.01 par value; 150,000 shares authorized, 98,211 and 98,122 issued in 2014 and 2013, respectively; 77,739 and 74,765 outstanding in 2014 and 2013, respectively	980	980
Preferred stock, $.01 par value; 10,000 shares authorized, 4,785 and 4,600 issued and outstanding in 2014 and 2013, respectively	300,000	115,000
Additional paid-in capital	1,022,769	1,033,084
Treasury stock at cost; 20,472 and 23,357 shares in 2014 and 2013, respectively	(297,586)	(284,891)
Accumulated other comprehensive income (loss)	56,123	(8,164)
Retained earnings	954,734	584,996
Total AmTrust Financial Services, Inc. equity	2,037,020	1,441,005
Non-controlling interest	159,181	137,860
Total stockholders' equity	2,196,201	1,578,865
	$13,847,368	$11,279,126

See accompanying notes to consolidated financial statements.

AMTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Par Value per Share)

	Years Ended December 31,		
	2014	**2013**	**2012**
Revenues:			
Premium income:			
Net written premium	$3,956,618	$2,565,673	$1,648,037
Change in unearned premium	(430,054)	(299,683)	(229,185)
Net earned premium	3,526,564	2,265,990	1,418,852
Service and fee income (related parties – $58,428, $51,545, and $29,041)	409,743	331,559	172,174
Net investment income	131,601	84,819	68,167
Net realized gain on investments	16,423	15,527	8,981
Total revenues	4,084,331	2,697,895	1,668,174
Expenses:			
Loss and loss adjustment expense	2,342,619	1,517,361	922,675
Acquisition costs and other underwriting expenses (net of ceding commission - related party - $405,071, $276,556, and $196,982)	856,923	533,162	356,005
Other	436,350	291,617	177,709
Total expenses	3,635,892	2,342,140	1,456,389
ıcome before other income (expense), income taxes and equity in earnings of unconsolidated subsidiaries	448,439	355,755	211,785
Other income (expenses):			
Interest expense (net of interest income - related party - $2,601, $0, and $0)	(45,857)	(34,691)	(28,508)
Loss on extinguishment of debt	(9,831)	—	—
Gain on investment in life settlement contracts net of profit commission	12,306	3,800	13,822
Foreign currency gain (loss)	60,245	(6,533)	(242)
Acquisition gain on purchase	—	48,715	—
Gain of sale of subsidiary	6,631	—	—
Total other income (expenses)	23,494	11,291	(14,928)

ıcome before income taxes and equity in earnings of unconsolidated subsidiaries	471,933	367,046	196,857
Provision for income taxes	53,686	98,019	21,292
Income before equity in earnings of unconsolidated subsidiaries	418,247	269,027	175,565
quity in earnings of unconsolidated subsidiary – related party	28,351	11,566	9,295
Net income	446,598	280,593	184,860
Net loss (income) attributable to non-controlling interests and redeemable non-controlling interests of subsidiaries	416	1,633	(6,873)
Net income attributable to AmTrust Financial Services, Inc.	$447,014	$282,226	$177,987
Dividends on preference stock	(12,738)	(3,989)	—
Net income attributable to AmTrust common stockholders	$434,276	$278,237	$177,987
Earnings per common share:			
Basic earnings per share	$5.78	$3.75	$2.42
Diluted earnings per share	$5.45	$3.56	$2.34
Dividends declared per common share	$0.85	$0.56	$0.39
Weighted average common shares outstanding - basic	74,933	74,163	73,269
Weighted average common shares outstanding - diluted	79,517	77,984	75,620
Net realized gain on investments:			
Total other-than-temporary impairment losses	$(8,039)	$(2,869)	$(2,965)
Portion of loss recognized in other comprehensive income	—	—	—
Net impairment losses recognized in earnings	(8,039)	(2,869)	(2,965)
Other net realized gain on investments	24,462	18,396	11,946
Net realized investment gain	$16,423	$15,527	$8,981

See accompanying notes to consolidated financial statements.

AMTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Year Ended December 31,		
	2014	**2013**	**2012**
Net income	$446,598	$280,593	$184,860
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	(17,358)	12,943	6,730
Change in fair value of interest rate swap	664	1,028	(733)
Minimum pension liability	(1,055)	(1,738)	—
Unrealized gain (loss) on securities:			
Unrealized holding gain (loss) arising during period	86,954	(90,286)	63,917
Reclassification adjustment for gain (loss) included in net income	(4,918)	5,658	4,316
Other comprehensive income (loss), net of tax	$64,287	$(72,395)	$74,230
Comprehensive income	510,885	208,198	259,090
Less: Comprehensive income (loss) attributable to non-controlling and redeemable non-controlling interest	(416)	(1,633)	6,873

Comprehensive income attributable to AmTrust Financial Services, Inc.	$511,301	$209,831	$252,217

21. The Company's March 2, 2015 10-K also assured investors of the effectiveness of the Company's internal control over financial reporting:

> **Disclosure Controls and Procedures**
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> Our management, with participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports we file or submit under the Exchange Act is timely recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.
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> **Changes in Internal Controls Over Financial Reporting**
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> There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.
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> **Management Report on Internal Control Over Financial Reporting**
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> We, as management of the Company, are responsible for establishing and maintaining adequate internal control over financial reporting. Pursuant to the rules and regulations of the SEC, internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:
>
> - Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management has evaluated the effectiveness of our internal control over financial reporting as of December 31, 2014, based on the control criteria established in a report entitled *Internal Control — Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, we have concluded that our internal control over financial reporting is effective as of December 31, 2014. Management excluded from its design and assessment of internal control over financial reporting Insco Insurance Services, Inc. and its subsidiaries and Comp Options Insurance Company, Inc. during 2014, whose total assets and total revenues on a combined basis constitute approximately 2.4% and 1.6%, respectively, of the consolidated financial statement amounts as of and for the year ended December 31, 2014. Companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company under guidelines established by the SEC. Our internal control over financial reporting as of December 31, 2014 has been audited by BDO USA, LLP, our external auditors, who also audited our consolidated financial statements for the year ended December 31, 2014. As stated in their report, BDO expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2014.

22. The Company's March 2, 2015 Form 10-K was signed by Defendants Zyskind and Pipoly and contained certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX"), signed by Zyskind and Pipoly, who each certified:

1. I have reviewed this Annual Report on Form 10-K of AmTrust Financial Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the

financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

23. On May 5, 2015, AmTrust issued a press release, and filed the same with the SEC on Form 8-K, entitled "AmTrust Financial Services, Inc. Reports First Quarter 2015 Operating Earnings[] Per Diluted Share Increased 16.9% to $1.45 and Net Income Per Diluted Share was $1.85," summarizing its first quarter 2015 financial results, providing in part:

> NEW YORK, May 5, 2015 (GLOBE NEWSWIRE) -- AmTrust Financial Services, Inc. (Nasdaq:AFSI) ("the Company") today announced solid profit growth for the first quarter ended March 31, 2015. Operating earnings were $121.4 million, or $1.45 per diluted share, an increase of 24.6%, compared to $97.4 million, or $1.24 per diluted share, in the first quarter of 2014. First quarter 2015 net income attributable to common stockholders grew to $154.7 million, or $1.85 per diluted share, an increase of 54.9% from $99.9 million, or $1.27 per diluted share, in the first quarter 2014. First quarter 2015 annualized operating return on common equity was 26.1% compared to 27.8% in the first quarter 2014. Annualized return on common equity was 33.3% for the first quarter of 2015 compared to 28.5% for the first quarter of 2014.
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> **First Quarter 2015 Results**
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> Total revenue was $1.11 billion, an increase of $0.16 billion, or 16.6%, from $0.95 billion in the first quarter 2014. Gross written premium was $1.73 billion, an increase of $0.24 billion, or 16.0%, from $1.49 billion in the same period a year ago after excluding from the first quarter 2014 $174 million in non-recurring gross written premium from the Cut Through Reinsurance Agreement with Tower Group International, Ltd. in first quarter 2014. In addition, first quarter 2015 gross written premium was negatively impacted by $36.5 million due to declines in European currencies. Net written premium was $1.04 billion compared to $1.13 billion in the first quarter 2014. Net earned premium of $949.4 million increased $120.3 million, or 14.5%, from $829.1 million in the first quarter 2014. The combined ratio was 89.0% compared to 89.9% in first quarter 2014.
>
> Total service and fee income of $112.9 million increased $21.9 million, or 24.1%, from $91.0 million in first quarter of 2014 and included $17.4 million from related parties in the first quarter 2015 compared with $12.2 million in the first quarter 2014.
>
> Investment income, excluding net realized gains and losses, totaled $34.6 million, an increase of 21.2% from $28.5 million in the first quarter of 2014. In addition, first quarter 2015 results included net realized investment gains of $15.7 million, or $10.2 million after-tax, on certain fixed income and equity investments compared with net realized investment gains of $5.4 million, or $3.5 million after-tax, in the first quarter of 2014.

> Loss and loss adjustment expense totaled $613.3 million in the first quarter 2015, compared to $558.6 million in the first quarter 2014, and resulted in a loss ratio of 64.6% compared with 67.4% for the first quarter 2014.
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> Acquisition costs and other underwriting expense of $231.7 million increased $45.1 million from $186.6 million for the first quarter 2014. The expense ratio was 24.4%, an increase from 22.5% in the first quarter 2014. Ceding commissions, primarily related to the reinsurance agreements with Maiden Holdings, Ltd. ("Maiden"), totaled $118.7 million, up 34.7% from $88.1 million in the first quarter 2014. During the three months ended March 31, 2015, AmTrust ceded $528.3 million of gross written premium and $399.7 million of earned premium to Maiden compared to $408.6 million of gross written premium and $312.7 million of earned premium ceded in the first quarter 2014.
>
> Other expense of $98.5 million increased $10.9 million, or 12.4%, from $87.6 million in the first quarter 2014.
> Total assets of approximately $14.81 billion increased $0.96 billion, or 7.0%, from $13.85 billion at December 31, 2014. Total cash, cash equivalents and investments of $5.97 billion increased $0.31 billion, or 5.4%, from $5.66 billion as of December 31, 2014. AmTrust's stockholder's equity of $2.46 billion increased 20.9% from $2.04 billion at December 31, 2014.
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> As of March 31, 2015, the Company's long-term debt-to-capitalization ratio was 19.4%, compared with 27.1% as of December 31, 2014.
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> During the three months ended March 31, 2015, the Company issued an aggregate of 3.45 million shares of Common Stock in an underwritten public offering. The net proceeds from the offering were approximately $172.5 million. In addition, on March 19, 2015, the Company completed the sale of 7.3 million of its depository shares, each representing 1/40th interest in a share of its 7.50% Non-Cumulative Preferred Stock, Series D. The net proceeds from the sale of depository shares were approximately $176.5 million.

24. On May 11, 2015, the Company filed with the SEC its Quarterly Report on Form 10-Q for the three month period ended March 31, 2015, providing the Company's consolidated financial results for that period summarized in the Company's May 5, 2015 press release.

25. The Company's May 11, 2015 Form 10-Q also assured investors of the effectiveness of the Company's internal control over financial reporting:

> **Item 4. Controls and Procedures**

> Our management, with the participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports we file of submit under the Exchange Act is timely recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.
>
> During the most recent fiscal quarter, there have been no changes in our internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

26. The Company's May 11, 2015 Form 10-Q was signed by Defendants Zyskind and Pipoly and contained certifications pursuant to SOX, signed by Zyskind and Pipoly, substantially similar to the certifications described in ¶22, *supra*.

27. On August 4, 2015, AmTrust issued a press release, and filed the same with the SEC on Form 8-K, entitled "AmTrust Financial Services, Inc. Reports Second Quarter 2015 Operating Earnings Per Diluted Share[] Increased 16% to $1.55 and Net Income Per Diluted Share was $0.84," summarizing its second quarter 2015 financial results, providing in part:

> NEW YORK, August 4, 2015 (GLOBE NEWSWIRE) -- AmTrust Financial Services, Inc. (Nasdaq:AFSI) ("the Company") today announced continued growth of operating earnings and strong operating return on equity for the second quarter ended June 30, 2015.
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> For the second quarter of 2015, operating earnings were $130.5 million, or $1.55 per diluted share, an increase of 22%, compared to $107.1 million, or $1.34 per diluted share, in the second quarter of 2014. Second quarter 2015 net income attributable to common stockholders was $70.7 million, or $0.84 per diluted share, compared to $106.3 million, or $1.33 per diluted share, in the second quarter 2014. In the second quarter 2015, changes in currencies resulted in a non-cash $47.2 million, or $0.56 per diluted share, reduction in net income.

Second quarter 2015 annualized operating return on common equity was 26.3% compared to 28.0% in the second quarter 2014. Annualized return on common equity was 14.3% for the second quarter of 2015 compared to 27.8% for the second quarter of 2014.

During the first six months of 2015, operating earnings were $251.9 million, or $3.01 per diluted share, an increase of 23%, compared to $204.5 million, or $2.58 per diluted share, in the first six months of 2014. Year to date 2015 changes in currencies resulted in a non-cash $7.4 million, or $0.09 per diluted share, reduction in net income. Year to date 2015 net income attributable to common stockholders grew to $225.4 million, or $2.69 per diluted share, an increase of 9% from $206.1 million, or $2.60 per diluted share, in the first six months of 2014. Year to date 2015 annualized operating return on common equity was 27.1% compared to 28.0% in the same period in 2014. Annualized return on common equity was 24.2% for the six months in 2015 compared to 28.2% for year to date 2014.

Second Quarter 2015 Results

Total revenue was $1.11 billion, an increase of $0.10 billion, or 10%, from $1.01 billion in the second quarter 2014. Gross written premium was $1.68 billion, an increase of $0.23 billion, or 16%, from $1.44 billion in the second quarter of 2014. Second quarter 2015 gross written premium was negatively impacted by $40.3 million due to declines in European currencies. Net written premium was $1.01 billion, an increase of $85.0 million, or 9%, compared to $923.7 million in the second quarter 2014. Net earned premium was $969.0 million, an increase of $94.0 million, or 11%, from $874.9 million in the second quarter 2014. The combined ratio was 90.5% compared to 90.9% in second quarter 2014.

Total service and fee income of $107.7 million increased $8.2 million, or 8%, from $99.5 million in the second quarter of 2014 and included $21.3 million from related parties in the second quarter 2015 compared with $15.1 million in the second quarter 2014.

Investment income, excluding net realized gains and losses, totaled $36.3 million, an increase of 11% from $32.6 million in the second quarter of 2014. In addition, second quarter 2015 results included net realized investment loss of $2.6 million, or $1.7 million after-tax, on certain fixed income and equity investments compared with net realized investment gains of $3.9 million, or $2.5 million after-tax, in the second quarter of 2014.

Loss and loss adjustment expense totaled $638.5 million in the second quarter 2015, compared to $587.2 million in the second quarter 2014, and resulted in a loss ratio of 65.9% compared with 67.1% for the second quarter 2014.

Acquisition costs and other underwriting expense of $238.7 million increased $30.7 million from $208.1 million for the second quarter 2014. The expense ratio was

24.6%, an increase from 23.8% in the second quarter 2014. Ceding commissions, primarily related to the reinsurance agreements with Maiden Holdings, Ltd. ("Maiden"), totaled $129.2 million, up 42% from $91.2 million in the second quarter 2014. During the three months ended June 30, 2015, AmTrust ceded $522.4 million of gross written premium and $433.4 million of earned premium to Maiden compared to $363.7 million of gross written premium and $315.4 million of earned premium ceded in the second quarter 2014.

Other expense of $98.1 million increased $10.5 million, or 12%, from $87.6 million in the second quarter 2014.

Year-to-Date 2015 Results

Total revenue was $2.22 billion, an increase of $0.26 billion, or 13%, from $1.96 billion YTD 2014. Gross written premium was $3.41 billion, an increase of $0.30 billion, or 10%, from $3.11 billion YTD 2014. YTD 2015 gross written premium was negatively impacted by $76.9 million due to declines in European currencies. Net written premium of $2.05 billion was unchanged from YTD 2014. Net earned premium of $1.92 billion increased $214.4 million, or 13%, from $1.70 billion YTD 2014. The combined ratio was 89.8% compared to 90.4% YTD 2014.

Total service and fee income of $220.6 million increased $30.1 million, or 16%, from $190.5 million YTD 2014 and included $38.7 million from related parties in the first six months 2015 compared with $27.3 million YTD 2014.

Investment income, excluding net realized gains and losses, totaled $70.9 million, an increase of 16% from $61.1 million YTD 2014. In addition, YTD 2015 results included net realized investment gains of $13.0 million, or $8.5 million after-tax, on certain fixed income and equity investments compared with net realized investment gains of $9.3 million, or $6.1 million after-tax, in the same period in 2014.

Loss and loss adjustment expense totaled $1.25 billion YTD 2015, compared to $1.15 billion YTD 2014, and resulted in a loss ratio of 65.3% compared with 67.2% for the same period in 2014.

Acquisition costs and other underwriting expense of $470.4 million increased $75.7 million from $394.7 million YTD 2014. The expense ratio was 24.5%, an increase from 23.2% YTD 2014. Ceding commissions, primarily related to the reinsurance agreements with Maiden, totaled $247.9 million, up 38.2% from $179.4 million in YTD 2014. During the six months ended June 30, 2015, AmTrust ceded $1.05 billion of gross written premium and $833.0 million of earned premium to Maiden compared to $772.3 million of gross written premium and $628.1 million of earned premium ceded in the same period of 2014.

> Other expense of $196.6 million increased $21.4 million, or 12%, from $175.2 million YTD 2014.
>
> Total assets of approximately $15.97 billion increased $2.12 billion, or 15%, from $13.85 billion at December 31, 2014. Total cash, cash equivalents and investments of $6.34 billion increased $0.67 billion, or 12%, from $5.66 billion as of December 31, 2014. AmTrust's stockholder's equity of $2.47 billion increased 21% from $2.04 billion at December 31, 2014.
>
> As of June 30, 2015, the Company's long-term debt-to-capitalization ratio was 27.3%, compared with 27.1% as of December 31, 2014.

28. On August 10, 2015, the Company filed with the SEC its Quarterly Report on Form 10-Q for the three month period ended June 30, 2015, providing the Company's consolidated financial results for that period summarized in the Company's August 4, 2015 press release.

29. The Company's August 10, 2015 Form 10-Q also assured investors of the effectiveness of the Company's internal control over financial reporting:

> **Item 4. Controls and Procedures**
>
> Our management, with the participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports we file of submit under the Exchange Act is timely recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.
>
> During the most recent fiscal quarter, there have been no changes in our internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

30. The Company's August 10, 2015 Form 10-Q was signed by Defendants Zyskind and Pipoly and contained certifications pursuant to SOX, signed by Zyskind and Pipoly, substantially similar to the certifications described in ¶22, *supra*.

31. On November 3, 2015, AmTrust issued a press release, and filed the same with the SEC on Form 8-K, entitled "AmTrust Financial Services, Inc. Reports Third Quarter 2015 Operating Earnings Per Diluted Share[] of $1.79 and Net Income Per Diluted Share of $2.17," summarizing its third quarter 2015 financial results, and providing in part:

> NEW YORK, November 3, 2015 (GLOBE NEWSWIRE) -- AmTrust Financial Services, Inc. (Nasdaq:AFSI) ("the Company" or "AmTrust") today announced continued growth of operating earnings and strong operating return on equity for the third quarter ended September 30, 2015.
>
> For the third quarter of 2015, operating earnings were $150.9 million, or $1.79 per diluted share, an increase of 11%, compared to $135.4 million, or $1.70 per diluted share, in the third quarter of 2014. Third quarter 2015 net income attributable to common stockholders was $182.7 million, or $2.17 per diluted share, compared to $156.6 million, or $1.97 per diluted share, in the third quarter 2014. In the third quarter 2015, changes in currencies resulted in a non-cash $24.7 million, or $0.29 per diluted share, increase in net income. Third quarter 2015 annualized operating return on common equity was 29.2% compared to 34.2% in the third quarter 2014. Annualized return on common equity was 35.4% for the third quarter of 2015 compared to 39.5% for the third quarter of 2014.
>
> During the first nine months of 2015, operating earnings were $402.8 million, or $4.80 per diluted share, an increase of 19%, compared to $339.9 million, or $4.28 per diluted share, in the same period of 2014. Year to date 2015 changes in currencies
>
> resulted in a non-cash $17.4 million, or $0.21 per diluted share, increase in net income. Year to date 2015 net income attributable to common stockholders grew to $408.2 million, or $4.86 per diluted share, an increase of 13% from $362.7 million, or $4.57 per diluted share, in the first nine months of 2014. Year to date 2015 annualized operating return on common equity was 27.7% compared to 30.1% in the same period in 2014. Annualized return on common equity was 28.1% for the first nine months of 2015 compared to 32.1% for year to date 2014.
>
> **Third Quarter 2015 Results**

Total revenue was $1.23 billion, an increase of $0.16 billion, or 15%, from $1.07 billion in the third quarter 2014. Gross written premium was $1.78 billion, an increase of $0.26 billion, or 17%, from $1.52 billion in the third quarter of 2014. Third quarter 2015 gross written premium was negatively impacted by $29.4 million due to declines in European currencies. Net written premium was $1.14 billion, an increase of $138.8 million, or 13.8%, compared to $1.0 billion in the third quarter 2014. Net earned premium was $1.05 billion, an increase of $131.0 million, or 14%, from $914.4 million in the third quarter 2014. The combined ratio was 92.6% compared to 91.3% in third quarter 2014.
Total service and fee income of $126.1 million increased $8.6 million, or 7%, from $117.6 million in the third quarter of 2014 and included $19.3 million from related parties in the third quarter 2015 compared with $14.7 million in the third quarter 2014.

Investment income, excluding net realized gains and losses, totaled $40.4 million, an increase of 17% from $34.6 million in the third quarter of 2014. In addition, third quarter 2015 results included net realized and unrealized investment gains of $17.7 million, or $11.5 million after-tax, on certain fixed income and equity investments compared with net realized investment gains of $5.1 million, or $3.3 million after-tax, in the third quarter of 2014.

Loss and loss adjustment expense totaled $709.6 million in the third quarter 2015, compared to $609.4 million in the third quarter 2014, and resulted in a loss ratio of 67.9% compared with 66.6% for the third quarter 2014.

Acquisition costs and other underwriting expense of $258.0 million increased $32.5 million from $225.5 million for the third quarter 2014. The expense ratio was 24.7%, unchanged from the third quarter 2014. Ceding commissions, primarily related to the reinsurance agreements with Maiden Holdings, Ltd. (“Maiden”), totaled $141.1 million, up 29% from $109.5 million in the third quarter 2014. During the three months ended September 30, 2015, AmTrust ceded $454.0 million of gross written premium and $467.5 million of earned premium to Maiden compared to $385.5 million of gross written premium and $360.0 million of earned premium ceded in the third quarter 2014.

Other expense of $116.9 million increased $13.4 million, or 13%, from $103.5 million in the third quarter 2014.

Provision for income taxes were a benefit of ($12.6) million, compared to provision for income taxes benefit of ($7.7) million for the third quarter of 2014. Our effective tax rate was (7.6%), compared to (5.3%) in the third quarter of 2014. The largest contributor to the income tax benefit for this quarter was a favorable return to provision adjustment in connection with the filing of the Company’s 2014 federal income tax return.

Year-to-Date 2015 Results

Total revenue was $3.45 billion, an increase of $0.42 billion, or 14%, from $3.04 billion YTD 2014. Gross written premium was $5.19 billion, an increase of $0.56 billion, or 12%, from $4.63 billion YTD 2014. YTD 2015 gross written premium was negatively impacted by $106 million due to declines in European currencies. Net written premium was $3.19 billion, an increase of $136.7 million, or 4.5%, from $3.06 billion YTD 2014. Net earned premium of $2.96 billion increased $345.4 million, or 13%, from $2.62 billion YTD 2014. The combined ratio was 90.8% compared to 90.7% YTD 2014.

Total service and fee income of $346.8 million increased $38.7 million, or 13%, from $308.1 million YTD 2014 and included $57.9 million from related parties in the first nine months of 2015 compared with $42.1 million YTD 2014.

Investment income, excluding net realized gains and losses, totaled $111.3 million, an increase of 16% from $95.7 million YTD 2014. In addition, YTD 2015 results included net realized and unrealized investment gains of $30.7 million, or $20.0 million after-tax, on certain fixed income and equity investments compared with net realized investment gains of $14.4 million, or $9.4 million after-tax, in the same period in 2014.

Loss and loss adjustment expense totaled $1.96 billion YTD 2015, compared to $1.76 billion YTD 2014, and resulted in a loss ratio of 66.2% compared with 67.0% for the same period in 2014.

Acquisition costs and other underwriting expense of $728.4 million increased $108.2 million from $620.2 million YTD 2014. The expense ratio was 24.6%, an increase from 23.7% YTD 2014. Ceding commissions, primarily related to the reinsurance agreements with Maiden, totaled $389.0 million, up 34.7% from $288.9 million in YTD 2014. During the nine months ended September 30, 2015, AmTrust ceded $1.50 billion of gross written premium and $1.30 billion of earned premium to Maiden compared to $1.16 billion of gross written premium and $988.1 million of earned premium ceded in the same period of 2014.

Other expense of $313.5 million increased $34.8 million, or 12%, from $278.7 million YTD 2014.

Total assets of approximately $16.95 billion increased $3.11 billion, or 22%, from $13.85 billion at December 31, 2014. Total cash, cash equivalents and investments of $6.69 billion increased $1.03 billion, or 18%, from $5.66 billion as of December 31, 2014. AmTrust's stockholder's equity of $2.62 billion increased 29% from $2.04 billion at December 31, 2014.

As of September 30, 2015, the Company's debt-to-capitalization ratio was 27.8%, compared with 27.1% as of December 31, 2014.

32. On November 9, 2015, the Company filed with the SEC its Quarterly Report on Form 10-Q for the three month period ended September 30, 2015, providing the Company's consolidated financial results for that period summarized in the Company's November 3, 2015 press release.

33. The Company's November 9, 2015 Form 10-Q also assured investors of the effectiveness of the Company's internal control over financial reporting:

> **Item 4. Controls and Procedures**
>
> Our management, with the participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports we file of submit under the Exchange Act is timely recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.
>
> During the most recent fiscal quarter, there have been no changes in our internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

34. The Company's November 9, 2015 Form 10-Q was signed by Defendants Zyskind and Pipoly and contained certifications pursuant to SOX, signed by Zyskind and Pipoly, substantially similar to the certifications described in ¶22, *supra*.

35. On February 29, 2016, AmTrust filed with the SEC its Annual Report on Form 10-K for the year ended December 31, 2015, providing, among other things, its consolidated financial data for that period, including:

AMTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Par Value per Share)

	December 31,	
ASSETS	**2015**	**2014**
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost $5,482,042; $4,137,146)	$5,433,797	$4,253,274
Equity securities, available-for-sale, at fair value (cost $109,346; $84,075)	104,497	81,044
Equity securities, trading, at fair value (cost $26,937; $25,407)	27,271	26,749
Short-term investments	84,266	63,916
Equity investment in unconsolidated subsidiaries – related parties	138,023	119,712
Other investments (related party $64,869; $0; recorded at fair value $30,309; $13,315)	99,012	31,186
Total investments	5,886,866	4,575,881
Cash and cash equivalents	931,970	902,750
Restricted cash and cash equivalents	380,699	186,225
Accrued interest and dividends	51,487	42,173
Premiums receivable, net	2,115,653	1,851,682
Reinsurance recoverable (related party $1,963,140; $1,517,499)	3,008,670	2,440,627
Prepaid reinsurance premium (related party $1,066,961; $918,505)	1,531,866	1,302,848
Other assets (related party $189,223; $136,516; recorded at fair value $264,001; $264,517)	1,418,677	1,094,943
Deferred policy acquisition costs	704,243	628,383
Property and equipment, net	281,456	154,175
Goodwill	432,700	352,685
Intangible assets	367,345	314,996
	$17,111,632	$13,847,368
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Loss and loss adjustment expense reserves	$7,208,367	$5,664,205
Unearned premiums	4,014,728	3,447,203
Ceded reinsurance premiums payable (related party $379,988; $410,075)	651,051	683,421
Reinsurance payable on paid losses	9,789	3,947
Funds held under reinsurance treaties	23,336	10,653
Note payable on collateral loan – related party	167,975	167,975
Securities sold but not yet purchased, at fair value	38,618	13,052
Accrued expenses and other liabilities (recorded at fair value $93,940; $60,271)	901,112	795,877
Deferred income taxes	—	106,363
Debt	1,009,969	757,871
Total liabilities	14,024,945	11,650,567
Commitments and contingencies		
Redeemable non-controlling interest	1,172	600
Stockholders' equity:		
ommon stock, $0.01 par value; 500,000 and 300,000 shares authorized, 196,455 and 196,422 issued in 2015 and 2014, respectively; 175,915 and 155,478 outstanding in 2015 and 2014, respectively	1,964	1,960

·eferred stock, $0.01 par value; 10,000 shares authorized, 4,968 and 4,785 issued and outstanding in 2015 and 2014, respectively, Aggregated liquidation preference $482,500, $300,000 in 2015 and 2014, respectively	482,500	300,000
Additional paid-in capital	1,383,492	1,021,789
Treasury stock at cost; 20,540 and 40,944 shares in 2015 and 2014, respectively	(162,867)	(297,586)
Accumulated other comprehensive income (loss)	(130,262)	56,123
Retained earnings	1,334,233	954,734
Total AmTrust Financial Services, Inc. equity	2,909,060	2,037,020
Non-controlling interest	176,455	159,181
Total stockholders' equity	3,085,515	2,196,201
	$17,111,632	$13,847,368

AMTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Par Value and per Share)

	Years Ended December 31,		
	2015	**2014**	**2013**
Revenues:			
Premium income:			
Net written premium	$4,260,058	$3,956,618	$2,565,673
Change in unearned premium	(238,331)	(430,054)	(299,683)
Net earned premium	4,021,727	3,526,564	2,265,990
Service and fee income (related parties - $76,454, $58,428,and $51,545)	478,206	409,743	331,559
Net investment income	156,290	131,601	84,819
Net realized gain on investments	8,117	16,423	15,527
Total revenues	4,664,340	4,084,331	2,697,895
Expenses:			
Loss and loss adjustment expense	2,682,208	2,342,619	1,517,361
Acquisition costs and other underwriting expenses (net of ceding commission - related party - $510,792; $405,071, and $276,556)	979,502	856,923	533,162
Other	466,759	436,350	291,617
Total expenses	4,128,469	3,635,892	2,342,140
ıcome before other income (expense), provision for income taxes, equity in earnings of unconsolidated subsidiaries and non-controlling interest	535,871	448,439	355,755
Other income (expenses):			
Interest expense (net of interest income - related party - $8,701, $2,601, and $0)	(48,052)	(45,857)	(34,691)
Loss on extinguishment of debt	(5,271)	(9,831)	—
Gain on investment in life settlement contracts net of profit commission	19,844	12,306	3,800
Foreign currency gain (loss)	43,260	60,245	(6,533)
Gain on acquisition	5,826	—	48,715
Gain of sale of subsidiary	—	6,631	—
Total other income (expenses)	15,607	23,494	11,291

ıcome before income taxes, equity in earnings of unconsolidated subsidiaries and non-controlling interest	551,478	471,933	367,046
Provision for income taxes	66,341	53,686	98,019
Income before equity in earnings of unconsolidated subsidiaries	485,137	418,247	269,027
quity in earnings of unconsolidated subsidiary – (related parties)	25,385	28,351	11,566
Net income	510,522	446,598	280,593
Net (income) loss attributable to non-controlling interests and redeemable non-controlling interests of subsidiaries	(6,928)	416	1,633
Net income attributable to AmTrust stockholders	$503,594	$447,014	$282,226
Dividends on preferred stock	(31,590)	(12,738)	(3,989)
Net income attributable to AmTrust common stockholders	$472,004	$434,276	$278,237
Earnings per common share:			
Basic earnings per share	$2.86	$2.89	$1.87
Diluted earnings per share	$2.80	$2.72	$1.78
Dividends declared per common share	$0.55	$0.425	$0.28
Weighted average common shares outstanding - basic	165,042	149,866	148,326
Weighted average common shares outstanding - diluted	168,360	159,034	155,968
Net realized gain on investments:			
Total other-than-temporary impairment losses	$(19,155)	$(8,039)	$(2,869)
Portion of loss recognized in other comprehensive income	—	—	—
Net impairment losses recognized in earnings	(19,155)	(8,039)	(2,869)
Net realized gain on available for sale securities	15,578	21,858	18,396

See accompanying notes to consolidated financial statements.

Net realized gain on trading securities and other investment	11,694	2,604	—
Net realized investment gain	$8,117	$16,423	$15,527

AMTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Year Ended December 31,		
	2015	**2014**	**2013**
Net income	$510,522	$446,598	$280,593
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(77,437)	(17,358)	12,943
Change in fair value of interest rate swap	621	664	1,028
Minimum pension liability	2,686	(1,055)	(1,738)
Unrealized (loss) gain on securities:			
Gross unrealized holding (loss) gain	(177,618)	133,775	(138,902)
Less tax (benefit) expense	(62,166)	46,821	(48,616)
Net unrealized holding (loss) gain	(115,452)	86,954	(90,286)
Reclassification adjustment for investment gain (loss) included in net income, net of tax:			
Other-than-temporary impairment loss	4,315	—	—

Other net realized (loss) gain on investments	(1,118)	(4,918)	5,658
Reclassification adjustment for investment gain (loss) included in net income	3,197	(4,918)	5,658
Other comprehensive (loss) income, net of tax	$(186,385)	$64,287	$(72,395)
Comprehensive income	324,137	510,885	208,198
Less: Comprehensive income (loss) attributable to non-controlling and redeemable non-controlling interest	6,928	(416)	(1,633)
Comprehensive income attributable to AmTrust Financial Services, Inc.	$317,209	$511,301	$209,831

36. The Company's February 29, 2016 Form 10-K also assured investors of the effectiveness of the Company's internal control over financial reporting, providing, in pertinent part:

> **Disclosure Controls and Procedures**
>
> Our management, with participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have concluded that, as of the end of such period, our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports we file or submit under the Exchange Act is timely recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.
>
> **Changes in Internal Controls Over Financial Reporting**
>
> There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.
>
> **Management Report on Internal Control Over Financial Reporting**
>
> We, as management of the Company, are responsible for establishing and maintaining adequate internal control over financial reporting. Pursuant to the rules and regulations of the SEC, internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our

Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management has evaluated the effectiveness of our internal control over financial reporting as of December 31, 2015, based on the control criteria established in a report entitled *Internal Control — Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, the CEO and CFO have concluded that our internal control over financial reporting is effective as of December 31, 2015. Management excluded from its design and assessment of internal control over financial reporting the internal controls for Warranty Solutions, TMI Solutions, LLC, CorePointe Insurance Company and Springfield Insurance Company and its affiliates, which were acquired during 2015, and which are included in the consolidated balance sheet of AmTrust Financial Services, Inc. as of December 31, 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended. The aforementioned companies constituted approximately 4.6% of total assets as of December 31, 2015, and approximately 1.1% of total revenues for the year ended December 31, 2015. Management did not assess the effectiveness of internal control over financial reporting of the acquired entities because of the timing of the acquisitions that were completed at various dates in 2015. Companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company under guidelines established by the SEC. Our internal control over financial reporting as of December 31, 2015 has been audited by BDO USA, LLP, our external auditors, who also audited our consolidated financial statements for the year ended December 31, 2015. As stated in their report, BDO expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2015.

37. The Company's February 29, 2016 Form 10-K was signed by Defendants Zyskind and Pipoly and contained certifications pursuant to SOX, signed by Zyskind and Pipoly, substantially similar to the certifications described in ¶22, *supra*.

38. On May 3, 2016, AmTrust issued a press release, and filed the same with the SEC on Form 8-K, entitled "AmTrust Financial Services, Inc. Reports First Quarter 2016 Operating Earnings Per Diluted Share[] of $0.77 and Net Income Per Diluted Share[] of $0.56," summarizing its first quarter 2016 financial results, and providing in part:

> NEW YORK, May 3, 2016 (GLOBE NEWSWIRE) -- AmTrust Financial Services, Inc. (Nasdaq:AFSI) ("the Company" or "AmTrust") today announced continued growth of operating earnings and strong operating return on equity for the first quarter of 2016.
>
> For the first quarter 2016, operating earnings were $136.6 million, or $0.77 per diluted share, compared to $121.4 million, or $0.73 per diluted share, in the first quarter of 2015. First quarter 2016 net income attributable to common stockholders was $100.3 million, or $0.56 per diluted share, compared to $154.7 million, or $0.93 per diluted share, in the first quarter 2015. First quarter 2016 annualized operating return on common equity was 22.1% compared to 26.1% in the first quarter 2015. Annualized return on common equity was 16.2% for the first quarter of 2016 compared to 33.3% for the first quarter of 2015.
>
> **First Quarter 2016 Results**
>
> Total revenue was $1.28 billion, an increase of $0.16 billion, or 15%, from $1.11 billion in the first quarter 2015. Gross written premium was $1.93 billion, an increase of $0.20 billion, or 12%, from $1.73 billion in the first quarter of 2015. Net written premium was $1.22 billion, an increase of $0.18 billion, or 17%, compared to $1.04 billion in the first quarter 2015. Net earned premium was $1.07 billion, an increase of $0.12 billion, or 13%, from $0.95 billion in the first quarter 2015. The combined ratio was 91.2% compared to 89.0% in first quarter 2015.
>
> In the first quarter 2016, changes in currencies resulted in a non-cash decrease in net income of $35.7 million, or $(0.20) per diluted share, compared to a $40.0 million increase, or $0.24 diluted per share, in the first quarter of 2015.
>
> Total service and fee income of $144.2 million increased $31.3 million, or 28%, from $112.9 million in the first quarter of 2015 and included $20.2 million from related parties in the first quarter 2016 compared to $17.4 million in the first quarter 2015.

Investment income, excluding net realized gains and losses, totaled $49.4 million, an increase of 43% from $34.6 million in the first quarter of 2015. In addition, first quarter 2016 results included net realized investment gains of $8.0 million, or $5.2 million after-tax, on certain fixed income and equity investments compared with net realized investment gains of $15.7 million, or $10.2 million after-tax, in the first quarter of 2015.

Loss and loss adjustment expense totaled $715.1 million in the first quarter 2016, compared to $613.3 million in the first quarter 2015, and resulted in a loss ratio of 66.6% compared with 64.6% for the first quarter 2015.

Acquisition costs and other underwriting expense of $264.6 million increased $33.0 million from $231.7 million for the first quarter 2015. The expense ratio was 24.6% compared to 24.4% for the first quarter 2015. Ceding commissions, primarily related to the reinsurance agreements with Maiden Holdings, Ltd. (“Maiden”), totaled $138.4 million, up 17% from $118.7 million in the first quarter 2015.

Other expense of $128.2 million increased $29.7 million, or 30%, from $98.5 million in the first quarter 2015.

The effective tax rate was 20.5%, compared to 22.8% in the first quarter of 2015.

During the first quarter of 2016, the Company issued an aggregate of 143,750 shares of 7.75% Series E preferred stock, resulting in net proceeds of approximately $139 million.

Total assets of approximately $18 billion as of March 31, 2016 increased approximately $1 billion, or 8%, from approximately $17 billion at December 31, 2015. Total cash, cash equivalents and investments of $8.10 billion increased $0.90 billion, or 13%, from $7.20 billion as of December 31, 2015. AmTrust’s stockholder’s equity of $3.14 billion increased 8% from $2.91 billion at December 31, 2015.

During the first quarter of 2016, the Company repurchased 589,098 of its common shares for approximately $14.7 million at a weighted average price of $24.88 per share. Through the end of April 2016, the Company has repurchased 2,684,515 of its common shares for approximately $66.5 million at a weighted average price of $24.78 per share.

As of March 31, 2016, the Company’s debt-to-capitalization ratio was 24.7%, compared with 25.8% as of December 31, 2015.

39. On May 10, 2016, the Company filed with the SEC its Quarterly Report on Form 10-Q for the three month period ended March 31, 2016, providing the Company's consolidated financial results for that period summarized in the Company's May 3, 2016 press release.

40. The Company's May 10, 2016 Form 10-Q also assured investors of the effectiveness of the Company's internal control over financial reporting:

Item 4. Controls and Procedures

> Our management, with the participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports we file or submit under the Exchange Act is timely recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.
>
> During the most recent fiscal quarter, there have been no changes in our internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

41. The Company's May 10, 2016 Form 10-Q was signed by Defendants Zyskind and Pipoly and contained certifications pursuant to SOX, signed by Zyskind and Pipoly, substantially similar to the certifications described in ¶22, *supra*.

42. On August 2, 2016, AmTrust issued a press release, and filed the same with the SEC on Form 8-K, entitled "AmTrust Financial Services, Inc. Reports Second Quarter 2016 Net Income Per Diluted Share[] of $0.78 and Operating Earnings Per Diluted Share[] of $0.81," summarizing its second quarter 2016 financial results, and providing in part:

NEW YORK, August 2, 2016 (GLOBE NEWSWIRE) -- AmTrust Financial Services, Inc. (Nasdaq: AFSI) (“ the Company” or “AmTrust”) today announced second quarter 2016 net income attributable to common stockholders was $134.8 million, or $0.78 per diluted share, compared to $70.7 million, or $0.42 per diluted share, in the second quarter 2015. For the second quarter 2016, operating earnings was $140.3 million, or $0.81 per diluted share, compared to $130.5 million, or $0.78 per diluted share, in the second quarter of 2015. Annualized return on common equity was 21.1% for the second quarter of 2016 compared

to 14.3% for the second quarter of 2015. Second quarter 2016 annualized operating return on common equity was 21.9% compared to 26.3% in the second quarter 2015.

Second Quarter 2016 Results

Total revenue was $1.39 billion, an increase of $0.28 billion, or 25%, from $1.11 billion in the second quarter 2015.

Gross written premium was $2.07 billion, an increase of $0.39 billion, or 24%, from $1.68 billion in the second quarter of 2015. Net written premium was $1.27 billion, an increase of $0.26 billion, or 26%, compared to $1.01 billion in the second quarter 2015. Net earned premium was $1.18 billion, an increase of $0.21 billion, or 22%, from $0.97 billion in the second quarter 2015. The combined ratio was 91.7% compared to 90.5% in second quarter 2015.

Total service and fee income of $138.3 million increased $30.5 million, or 28%, from $107.7 million in the second quarter of 2015 and included $21.6 million from related parties in the second quarter 2016 compared to $21.3 million in the second quarter 2015.

Net investment income, excluding net realized gains and losses, totaled $50.7 million, an increase of 40% from $36.3 million in the second quarter of 2015. In addition, second quarter 2016 results included net realized investment gains of $15.1 million, or $9.8 million after-tax, on certain fixed income and equity investments compared with net realized investment loss of $2.6 million, or $1.7 million after-tax, in the second quarter of 2015.

Loss and loss adjustment expense totaled $784.4 million in the second quarter 2016, compared to $638.5 million in the second quarter 2015, and resulted in a loss ratio of 66.4% compared with 65.9% for the second quarter 2015.
Acquisition costs and other underwriting expense of $298.8 million increased $60.1 million from $238.7 million for the second quarter 2015. The expense ratio was 25.3% compared to 24.6% for the second quarter 2015. Ceding commissions, primarily related to the reinsurance agreements with Maiden Holdings, Ltd. (“Maiden”), totaled $144.0 million, up 11% from $129.2 million in the second quarter 2015.

Other expense of $133.0 million increased $34.8 million, or 36%, from $98.1 million in the second quarter 2015.

The effective tax rate was 15.9%, compared to 5.5% in the second quarter of 2015.

During the second quarter of 2016, the Company repurchased 3.58 million of its common shares at a weighted average price of $24.82 per share.

Year-to-Date 2016 Results

Total revenue was $2.66 billion, an increase of $0.44 billion, or 19.7%, from $2.22 billion YTD 2015. Gross written premium was $4.01 billion, an increase of $0.60 billion, or 17.5%, from $3.41 billion YTD 2015. Net written premium was $2.5 billion, an increase of $0.44 billion, or 21.3%, from $2.05 billion from YTD 2015. Net earned premium of $2.26 billion increased $337.7 million, or 17.6%, from $1.92 billion YTD 2015. The combined ratio was 91.4% compared to 89.8% YTD 2015.

Total service and fee income of $282.5 million increased $61.85 million, or 28.0%, from $220.6 million YTD 2015 and included $41.8 million from related parties in the first six months 2016 compared with $38.7 million YTD 2015.

Investment income, excluding net realized gains and losses, totaled $100.2 million, an increase of 41.4% from $70.9 million YTD 2015. In addition, YTD 2016 results included net realized investment gains of $23.1 million, or $15.0 million after-tax, on certain fixed income and equity investments compared with net realized investment gains of $13.0 million, or $8.5 million after-tax, in the same period in 2015.

Loss and loss adjustment expense totaled $1.50 billion YTD 2016, compared to $1.25 billion YTD 2015, and resulted in a loss ratio of 66.5% compared with 65.3% for the same period in 2015.

Acquisition costs and other underwriting expense of $563.4 million increased $93.1 million from $470.4 million YTD 2015. The expense ratio was 24.9%, an increase from 24.5% YTD 2015. Ceding commissions, primarily related to the reinsurance agreements with Maiden, totaled $282.3 million, up 14% from $247.9 million in YTD 2015.

Other expense of $261.2 million increased $64.6 million, or 33%, from $196.6 million YTD 2015.

The effective tax rate was 17.9%, compared to 17.9% from YTD 2015.

> Total assets of approximately $21 billion as of June 30, 2016 increased approximately $4 billion, or 23%, from approximately $17 billion at December 31, 2015. Total cash, cash equivalents and investments of $9.04 billion increased $1.84 billion, or 26%, from $7.20 billion as of December 31, 2015. AmTrust's stockholder's equity of $3.23 billion increased 11% from $2.91 billion at December 31, 2015.
>
> Through July 27, 2016, the Company has repurchased 5.85 million of its common shares at a weighted average price of $24.72 per share.
>
> As of June 30, 2016, the Company's debt-to-capitalization ratio was 27.8%, compared with 25.8% as of December 31, 2015.

43. On August 9, 2016, the Company filed with the SEC its Quarterly Report on Form 10-Q for the three month period ended June 30, 2016, providing the Company's consolidated financial results for that period summarized in the Company's August 2, 2016 press release.

44. The Company's August 9, 2016 Form 10-Q also assured investors of the effectiveness of the Company's internal control over financial reporting:

> **Item 4. Controls and Procedures**
>
> Our management, with the participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports we file or submit under the Exchange Act is timely recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.
>
> During the most recent fiscal quarter, there have been no changes in our internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

45. The Company's August 9, 2016 Form 10-Q was signed by Defendants Zyskind and Pipoly and contained certifications pursuant to SOX, signed by Zyskind and Pipoly, substantially similar to the certifications described in ¶22, *supra*.

46. On November 3, 2016, AmTrust issued a press release, and filed the same with the SEC on Form 8-K, entitled "AmTrust Financial Services, Inc. Reports Third Quarter 2016 Net Income Per Diluted Share[] of $0.60 and Operating Earnings Per Diluted Share[] of $0.73," summarizing its third quarter 2016 financial results, and providing in part:

> NEW YORK, November 3, 2016 (GLOBE NEWSWIRE) -- AmTrust Financial Services, Inc. (Nasdaq: AFSI) ("the Company" or "AmTrust") today announced third quarter 2016 net income attributable to common stockholders of $103.6 million, or $0.60 per diluted share, compared to $182.7 million, or $1.09 per diluted share in the third quarter 2015. For the third quarter 2016, operating earnings was $126.3 million, or $0.73 per diluted share, compared to $150.9 million, or $0.89 per diluted share, in the third quarter 2015. Annualized return on common equity was 15.9% for the third quarter 2016 compared to 35.4% for the third quarter 2015. Third quarter 2016 annualized operating return on common equity was 19.4% compared to 29.2% in the third quarter 2015.
>
> "We delivered a solid performance in the third quarter, with strong investment results, higher service and fee income, and growth in gross written premiums, compared with the same period a year ago," said Barry Zyskind, Chairman, President and Chief Executive Officer, AmTrust. "Our performance reflects a full quarter's contribution from Republic Companies, as well as continued strong policy retention and disciplined underwriting of new business in our small commercial business segment, as demonstrated by our stable loss ratio. The top-line results of our specialty risk and extended warranty segment reflect the impact of the decline in the British pound relative to the third quarter a year ago, and we are pleased with the underlying performance of this segment."
>
> Mr. Zyskind also stated, "We are optimistic about our organic growth prospects, given our differentiated model in workers' compensation and commercial lines products in the U.S., as well as opportunities in our warranty insurance offering globally. We remain focused on building a portfolio of business that leverages our proprietary technology and our efficient operating structure to enhance shareholder returns."
>
> **Third Quarter 2016 Results**

Total revenue was $1.41 billion, an increase of $181.3 million, or 15%, from $1.23 billion in the third quarter 2015. Gross written premium was $2.03 billion, an increase of $253.3 million, or 14%, from $1.78 billion in the third quarter 2015. Net written premium was $1.22 billion, an increase of $73.1 million, or 6%, compared to $1.14 billion in the third quarter 2015. Net earned premium was $1.20 billion, an increase of $150.8 million, or 14%, from $1.05 billion in the third quarter 2015. The combined ratio was 91.5% compared to 92.6% in third quarter 2015.

Total service and fee income of $146.6 million increased $20.5 million, or 16%, from $126.1 million in the third quarter 2015 and included $19.4 million from related parties in the third quarter 2016 compared to $19.3 million in the third quarter 2015.

Net investment income, excluding net realized gains and losses, totaled $59.9 million, an increase of 48% from $40.4 million in the third quarter 2015. The significant growth in investment income during the third quarter was primarily due to the increase in invested assets. Total cash and invested assets increased 38% to $9.07 billion as of September 30, 2016 compared to $6.55 billion as of September 30, 2015. In addition, third quarter 2016 results included net realized investment gains of $8.2 million, or $5.3 million after-tax, on fixed income and equity investments compared with net realized investment gains of $17.7 million, or $11.5 million after-tax, in the third quarter of 2015.

Loss and loss adjustment expense totaled $811.0 million in the third quarter 2016, compared to $709.6 million in the third quarter 2015, and resulted in a loss ratio of 67.8% compared with 67.9% for the third quarter 2015.

Acquisition costs and other underwriting expense of $284.0 million increased $25.9 million from $258.0 million for the third quarter 2015. The expense ratio was 23.7% compared to 24.7% for the third quarter 2015. Ceding commissions, primarily related to the reinsurance agreements with Maiden Holdings, Ltd. ("Maiden"), totaled $161.3 million, up 14% from $141.1 million in the third quarter 2015.

Other expense of $137.5 million increased $20.6 million, or 18%, from $116.9 million in the third quarter 2015.

The effective tax rate was 23.4%, compared to (7.6)% in the third quarter 2015. During the third quarter 2016, the Company issued an aggregate of 287,500 shares of 6.95% Series F preferred stock, resultingin net proceeds of approximately $278 million.

Year-to-Date 2016 Results

Total revenue was $4.07 billion, an increase of $620.2 million, or 18%, from $3.45 billion YTD 2015. Gross written premium was $6.04 billion, an increase of $849.9

million, or 16%, from $5.19 billion YTD 2015. Net written premium was $3.71 billion, an increase of $510.3 million, or 16%, from $3.19 billion YTD 2015. Net earned premium of $3.45 billion increased $488.5 million, or 16%, from $2.96 billion YTD 2015. The combined ratio was 91.5% compared to 90.8% YTD 2015.

Total service and fee income of $429.1 million increased $82.3 million, or 24%, from $346.8 million YTD 2015 and included $61.1 million from related parties in the first nine months 2016 compared with $57.9 million YTD 2015.

Investment income, excluding net realized gains and losses, totaled $160.1 million, an increase of 44% from $111.3 million YTD 2015. The significant growth in investment income during the first nine months was primarily due to the increase in invested assets. Total cash and invested assets increased 38% to $9.07 billion as of September 30, 2016 compared to $6.55 billion as of September 30, 2015. In addition, YTD 2016 results included net realized investment gains of $31.3 million, or $20.3 million after-tax, on certain fixed income and equity investments compared with net realized investment gains of $30.7 million, or $20.0 million after-tax, in the same period in 2015.

Loss and loss adjustment expense totaled $2.31 billion YTD 2016, compared to $1.96 billion YTD 2015, and resulted in a loss ratio of 66.9% compared with 66.2% for the same period in 2015.
Acquisition costs and other underwriting expense of $847.4 million increased $119.0 million from $728.4 million YTD 2015. The expense ratio was 24.6%, in line with YTD 2015. Ceding commissions, primarily related to the reinsurance agreements with Maiden, totaled $447.8 million, up 15% from $389.0 million in YTD 2015.

Other expense of $398.7 million increased $85.2 million, or 27%, from $313.5 million YTD 2015.

The effective tax rate was 19.7%, compared to 8.5% from YTD 2015.

During 2016, the Company issued 143,750 shares of 7.75% Series E preferred stock and 287,500 shares of 6.95% Series F preferred stock, resulting in aggregate net proceeds of approximately $417.3 million.

During 2016, the Company repurchased 6.2 million of its common shares at a weighted average price of $24.69 per share.

Total assets of approximately $22 billion as of September 30, 2016 increased approximately $4 billion, or 26%, from approximately $17 billion at December 31, 2015. Total cash, cash equivalents and investments of $9.22 billion increased $2.02 billion, or 28%, from $7.20 billion as of December 31, 2015. AmTrust's stockholder's equity of $3.52 billion increased 21% from $2.91 billion at December 31, 2015.

> As of September 30, 2016, the Company's debt-to-capitalization ratio was 26.2%, compared with 25.8% as of December 31, 2015.

47. On November 14, 2016, the Company untimely filed with the SEC its Quarterly Report on Form 10-Q for the three month period ended September 30, 2016, providing the Company's consolidated financial results for that period summarized in the Company's November 3, 2016 press release.

48. The Company's November 14, 2016 Form 10-Q also assured investors of the effectiveness of the Company's internal control over financial reporting:

> **Item 4. Controls and Procedures**
>
> Our management, with the participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports we file or submit under the Exchange Act is timely recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.
>
> During the most recent fiscal quarter, there have been no changes in our internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

49. The Company's November 14, 2016 Form 10-Q was signed by Defendants Zyskind and Pipoly and contained certifications pursuant to SOX, signed by Zyskind and Pipoly, substantially similar to the certifications described in ¶22, *supra*.

B. <u>The Truth Begins To Emerge – Disclosures At The End Of The Class Period</u>

50. On February 27, 2017, AmTrust issued a press release, and filed the same with the SEC on Form 8-K, entitled "AmTrust Financial Services, Inc. Reports Fourth Quarter 2016 Net Income Per Diluted Share of $0.57 and Operating Earnings Per Diluted Share[] of $0.38, Reflecting Strengthening of Reserves," disclosing, among other things, that the Company would not timely file its 2016 annual financial financial report, and providing:

> **Update on Anticipated Timing of 10-K Filing**
>
> On or before March 1, 2017, AmTrust intends to file a Form 12b-25 with the Securities and Exchange Commission providing the Company an automatic 15-day extension to file its Form 10-K for the year ended December 31, 2016. As previously disclosed, the Company appointed a new independent registered public accounting firm on April 1, 2016. Additional time is needed for the Company to complete its consolidated financial statements and assessment of internal controls over financial reporting for the fiscal year ended December 31, 2016, and, as a consequence, for the Company's auditor, KPMG LLP, to complete its audit procedures and audit of the consolidated financial statements included in the Form 10-K. The Company expects to file the Annual Report on Form 10-K within the 15-day extension period provided by Rule 12b-25.
>
> In addition, the Company expects to make immaterial corrections to errors in its financial statements for fiscal years ended December 31, 2015 and 2014 and certain financial information for fiscal years ended December 31, 2013 and 2012 for inclusion in the Form 10-K and these processes have not been completed. The Company is still evaluating corrections to its historical quarterly financial statements within these fiscal years. For a further explanation, please see footnote (1) below.
>
> In connection with the foregoing, the Company expects to disclose in the Form 10-K that, as part of its evaluation of its internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, ***the Company identified material weaknesses in its internal control over financial reporting that existed as of December 31, 2016, specifically related to ineffective assessment of the risks associated with the financial reporting, and an insufficient complement of corporate accounting and corporate financial reporting resources within the organization***. As the Company completes the preparation of its financial statements and the related audit process for fiscal year 2016, additional adjustments and/or material weaknesses could be identified. While the Company believes that significant progress has been made in enhancing internal controls as of December 31, 2016 and in the period since, the material weaknesses have not been fully remediated due to insufficient time to fully implement and assess the design and

> operating effectiveness of the related controls. The Company will continue the process to enhance internal controls throughout 2017.

(emphasis added).

****

> (1) The Company identified and corrected errors during the three months ended December 31, 2016 related to prior periods in 2016 and 2015. These errors included accruing for bonuses paid (which also impacted prior periods), adjusting foreign currency transactions gain and loss and deferring a portion of warranty contract revenue associated with administration services previously recognized upfront, based on management's interpretation of accounting guidance related to multiple-element revenue recognition. In 2016, management reviewed this accounting treatment and concluded that its warranty contracts should <u>not</u> be accounted for using the multiple-element guidance, but instead deferred over the life of the contract. The Company assessed the materiality of these errors and determined that a one-time adjustment in 2016 would have been material to 2016 and, as a result, management elected to revise the 2015 and prior financial statements upon its conclusion that the impact of the errors was <u>not</u> material to the 2015 and prior period financial statements.

(emphasis in original).

51. The same day, AmTrust held an earnings call in which Zyskind and Pipoly, among other things, discussed the Company's fourth quarter financial results and the delay of its full year 2016 financial results, explaining in part:

> **Adam Klauber**
>
> Okay. So when KPMG signs the audit again hopefully in 15 days will there be any addendums, any weaknesses still would you expect that or do you expect it to be a normally signed audit at that point?
>
> **Ron Pipoly**
>
> I think at the end of the day we've disclosed that from an audit perspective, it's an integrated audit in which there is an audit of the financial statements conducted in accordance with Generally Accepted Auditing standards and GAAP. And then there is a second part of that which is the 404 opinion, which deals with the internal controls.

> So we've said that from an internal control perspective that we'll have a material weakness around financial reporting. But other than that we expect to move forward from an auditing of the financial statements.
>
> **Barry Zyskind**
>
> So to answer it in other way the audit ***we're similarly expecting a clean audit opinion***, but when it comes to 404 there will be - when it comes to Sarbanes-Oxley there will be a material weakness in that. ***But that does not - the audit is a clean audit means that the audit numbers are fine.***

(emphasis added).

52. On March 16, 2017, AmTrust issued a press release and filed the same with the SEC on Form 8-K entitled "AmTrust Financial Services, Inc. Provides Update on 10-K Filing," further delaying its full year 2016 financial results and providing, in pertinent part:

> NEW YORK, March 16, 2017 (GLOBE NEWSWIRE) -- AmTrust Financial Services, Inc. (Nasdaq: AFSI) (the "Company" or "AmTrust") today stated that additional time is needed for the Company to complete its consolidated financial statements and assessment of internal controls over financial reporting for the fiscal year ended December 31, 2016, and, as a consequence, for the Company's auditor, KPMG LLP, to complete its audit procedures and audit of the consolidated financial statements included in the Form 10-K. Accordingly, the Company will file its Form 10-K for the year ended December 31, 2016 as soon as practicable.
>
> In connection with the preparation and audit of the financial statements to be included in the Company's Form 10-K for the year ended December 31, 2016, the Audit Committee of the AmTrust Board of Directors, in consultation with management and its current and former independent auditors, concluded that ***the Company's previously issued consolidated financial statements for 2014 and 2015 (including for each of the four quarters of 2015) as well as for the first three quarters of 2016 should be restated and should no longer be relied upon. In addition, the Company's earnings and press releases and similar communications, to the extent that they relate to the periods covered by these financial statements, as well as the Company's fourth quarter and fiscal 2016 earnings release dated February 27, 2017, should no longer be relied upon. Additionally, the reports of BDO USA LLP, the Company's former independent auditor, on the Company's consolidated financial statements for 2014 and 2015, including its opinions on the effectiveness of internal control over financial reporting for such periods, likewise should no longer be relied upon.***
>
> Notwithstanding the foregoing and subject to final review by the Company and its independent auditors, management expects that the Company's gross written

premium, net earned premium, loss and loss adjustment expense, and loss ratio for fiscal years 2014 and 2015 will remain unchanged from the amounts previously disclosed in the Company's prior year Forms 10-K. In addition, gross written premium, net earned premium, loss and loss adjustment expense and loss ratio for the fourth quarter and full year 2016, and loss and loss adjustment expense reserves as of December 31, 2016, will remain unchanged from the amounts disclosed in the Company's earnings release dated February 27, 2017.

"The 10-K delay and restatement largely relate to the timing of recognition of revenue, as previously announced, in the Company's service and fee business, which we expect will remain profitable in each of the fiscal years 2014, 2015 and 2016. In addition, we believe the corrections will have no material impact on the Company's ongoing insurance operations, statutory entities or statutory surplus. We believe that AmTrust remains financially strong, and we continue to see opportunities for organic growth within our existing operations, as demonstrated by the gross written and net earned premiums that we recently reported. Notwithstanding these corrections, we are proud of the results that we expect to report for 2014, 2015 and 2016," said Barry Zyskind, Chairman and Chief Executive Officer, AmTrust. "We are also making the necessary improvements in our finance and accounting resources to address the issues identified and better match AmTrust's increased global reach. We appreciate the hard work of the AmTrust team and the support of KPMG in these efforts. We are confident in our ability to successfully move through this period and remain focused on leveraging our proprietary technology and efficient operating structure to enhance shareholder returns, best serve our customers and create exciting career growth and development opportunities for AmTrust employees."

The Company is restating its financial statements and related disclosures primarily to correct two errors reported in its historical consolidated financial statements. These errors relate to: (1) upfront recognition of a portion of warranty contract revenue associated with administration services, based on the interpretation of ASC 605, Revenue Recognition, used in the previously filed financial statements related to multiple-element revenue recognition, instead of deferring recognition of the revenue over the life of the contract; and (2) bonuses that were expensed in the year paid but that should have been accrued in the year earned based on ASC 710, Compensation, and ASC 270, Interim Reporting. The first error will be reflected entirely within the results of operations for our Specialty Risk and Extended Warranty segment, while the second error will be reflected within the results of operations of all of our segments. The Company will also make other miscellaneous adjustments that had been previously identified but not corrected because they were not material, individually or in the aggregate, to its previously issued consolidated financial statements. In addition, the Company expects to have certain other non-cash corrections related to deferred acquisitions costs and the capitalization of software development costs in 2016.

CLASS ACTION ALLEGATIONS

53. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of a class of all persons and entities who purchased or otherwise acquired AmTrust securities between March 2, 2015 through March 16, 2017, inclusive. Excluded from the Class are Defendants, directors and officers of the Company, as well as their families and affiliates.

54. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, AmTrust securities were actively traded on the NASDAQ stock exchange. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. As of November 14, 2016, the Company had 170,450,763 shares of common stock outstanding. Record owners and other members of the Class may be identified from records maintained by AmTrust or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

55. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

a. Whether the Exchange Act was violated by Defendants;

b. Whether Defendants omitted and/or misrepresented material facts;

c. Whether Defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

d. Whether Defendants knew or recklessly disregarded that their statements were false and misleading;

e. Whether the price of the Company's stock was artificially inflated; and

f. The extent of damage sustained by Class members and the appropriate measure of damages.

56. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages from Defendants' wrongful conduct alleged herein.

57. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests that conflict with those of the Class.

58. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

LOSS CAUSATION

59. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

60. During the Class Period, Plaintiff and the Class purchased AmTrust securities at artificially inflated prices and were damaged thereby.

61. On February 27, 2017, AmTrust disclosed premarket that it would delay the filing of its full year 2016 financial results as the Company's managment had "identified material weaknesses in its internal control over financial reporting that existed as of December 31, 2016,

specifically related to ineffective assessment of the risks associated with the financial reporting, and an insufficient complement of corporate accounting and corporate financial reporting resources within the organization." The Company further disclosed that it would correct certain previously issued financial statements for "fiscal years ended December 31, 2015 and 2014 and certain financial information for fiscal years ended December 31, 2013 and 2012," and that it believed these corrections to be "immaterial."

62. On this news, shares of AmTrust fell from $27.66, the closing price on Friday, February 24, 2017, to close at $22.34 on February 17, 2017, representing a 19.3% decline in the value of the Company's common stock.

63. This decline is directly attributable to the February 27, 2017 disclosure by AmTrust that it would delay its full year 2016 financial financial results and had identified "material weaknesses" in the Company's internal control over financial reporting.

64. On March 16, 2017, after the markets had closed, AmTrust disclosed that its board of directors had determined that the Company's "previously issued consolidated financial statements for 2014 and 2015 (including for each of the four quarters of 2015) as well as for the first three quarters of 2016 should be restated and should no longer be relied up." The Company further disclosed that "earnings and press releases and similar communications, to the extent that they relate to the periods covered by these financial statements, as well as the Company's fourth quarter and fiscal 2016 earnings release dated February 27, 2017, should no longer be relied upon."

65. On this news, shares of Amtrust fell from $21.61, the closing price on March 15, 2017, to close at $17.58 on March 16, 2017, representing a 18.7% decline in the value of the Company's common stock.

66. This decline is directly attributable to the March 16, 2017 disclosure by AmTrust that it would further delay its full year 2016 financial results and that it's previously issued financial statements for 2014 and 2015 (including for each of the four quarters of 2015) as well as for the first three quarters of 2016 should be restated and should no longer be relied upon.

SCIENTER ALLEGATIONS

67. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding AmTrust, his/her control over, and/or receipt and/or modification of AmTrust's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning AmTrust, participated in the fraudulent scheme alleged herein.

FRAUD ON THE MARKET

68. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine that, among other things:

a. Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

b. The omissions and misrepresentations were material;

c. The Company's common stock traded in efficient markets;

d. The misrepresentations alleged herein would tend to induce a reasonable investor to misjudge the value of the Company's common stock; and

e. Plaintiff and other members of the class purchased the Company's common stock between the time Defendants misrepresented or failed to disclose material facts and the time that the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

69. At all relevant times, the markets for the Company's stock were efficient for the following reasons, among others: (i) the Company filed periodic public reports with the SEC; and (ii) the Company regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news ire services and through other wide-ranging public disclosures such as communications with the financial press, securities analysts, and other similar reporting services. Plaintiff and the Class relied on the price of the Company's common stock, which reflected all information in the market, including the misstatements by Defendants.

NO SAFE HARBOR

70. The statutory safe harbor provided for forward-looking statements under certain conditions do not apply to any of the allegedly false statements pleaded in this Complaint. The specific statements pleaded herein were not identified as forward-looking statements when made.

71. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

CAUSES OF ACTION

COUNT I

Violation of §10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against All Defendants)

72. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

73. During the Class Period, Defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

74. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon those who purchased or otherwise acquired the Company's securities during the Class Period.

75. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for the Company's common stock. Plaintiff and the Class would not have purchased the Company's common stock at the price paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

COUNT II

Violation of §20(a) of the Exchange Act (Against The Individual Defendants)

76. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

77. The Individual Defendants acted as controlling persons of the Company within the meaning of §20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions at the Company, the Individual Defendants had the power and authority to cause or prevent the Company from engaging in the wrongful conduct complained of herein. The Individual Defendants were provided with or had unlimited access to the Company's reports, press releases, public filings and other statements alleged by Plaintiffs to be false or misleading both prior to and immediately after their publication, and had the ability to prevent the issuance of those materials or to cause them to be corrected so as not to be misleading.

78. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

79. As set forth above, AmTrust and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. determining that this action is a proper class action pursuant to Rule 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure on behalf of the Class as defined herein, and a certification of Plaintiff as class representative pursuant to Rule 23 of the Federal Rules of Civil Procedure and appointment of Plaintiff's counsel as Lead Counsel;

B. awarding compensatory and punitive damages in favor of Plaintiff and the other class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including pre-judgment and post-judgment interest thereon.

C. awarding Plaintiff and other members of the Class their costs and expenses in this litigation, including reasonable attorneys' fees and experts' fees and other costs and disbursements; and

D. awarding Plaintiff and the other Class members such other relief as this Court may deem just and proper.

DEMAND FOR JURY TRIAL

Plaintiff hereby demands a trial by jury in this action of all issues so triable.

Dated: March 20, 2017

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